

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website (legis.state.nm.us). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

## FISCAL IMPACT REPORT

ORIGINAL DATE 2/5/07  
 SPONSOR Leavell LAST UPDATED 2/13/07 HB \_\_\_\_\_  
 SHORT TITLE Capital Requirement & Insurance Provisions SB 350/aSCORC  
 ANALYST Wilson

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY07	FY08	FY09		
	Minimal	Minimal	Recurring	Various

(Parenthesis ( ) Indicate Revenue Decreases)

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY07	FY08	FY09	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
<b>Total</b>		(\$0.1)	(\$0.1)		Recurring	Various

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Office of the Attorney General (OAG)

Public Regulation Commission (PRC)

### SUMMARY

#### Synopsis of SCORC Amendment

The Senate Corporations and Transportation Committee to Senate Bill 350 defines for the purposes of the protection after natural disaster section that a natural disaster means any hurricane, tornado, storm, flood, high water, wind-driven water, earthquake, landslide, mudslide, snowstorm, drought, fire, explosion or other catastrophe that results in substantial damage to property, hardship, suffering or loss of life.

Synopsis of Original Bill

Senate Bill 350 amends the Insurance Code (IC) as follows:

- Sections 1 and 11 re-enact a more readable and understandable version of the table of minimum capital, surplus and deposit requirements for authorized insurers
- Section 2 permits the Superintendent of Insurance to rely on electronic versions (currently PDF files) of filings maintained by the National Association of Insurance Commissioners in lieu of paper filings made with the Superintendent, as long as they can readily be made available for public inspection
- Section 3 clarifies that premium tax is calculated using the numbers reported in the insurance company's audited annual statement rather than a separately calculated and unaudited value for premium "received"
- Section 4 provides for refund or credit of non-"erroneous" payments of fees or taxes, and limits the look back period for all refunds or credits to three years
- Section 5 is a new provision for a \$25 penalty for dishonored checks or electronic payments
- Section 6 permits a new agent to be paid a commission for any initial policies submitted to an insurance company prior to being appointed by the company. This fixes a problem arising from recent changes in the law that allowed agents to submit applications to a company within 15 days prior to being appointed by the company
- Section 7 simplifies the procedure for limited licensing of vendors of telecommunication devices (cell phones, pagers, etc.) who sell insurance on the equipment
- Sections 8 & 9 clarify that staff adjusters can adjust claims for all insurance companies within a group of insurance companies under common ownership (i.e., "affiliated companies")
- Section 10 eliminates the requirement that an adjuster maintain an office in this state (consistent with several other recent amendments that have eliminated residency requirements for licensees). This does not affect the specific requirement in 59A-13-11 for in-state adjusters for workers compensation claims
- Section 12 applies the Insurance Holding Company Law to prepaid dental plans as it does with all other insurers
- Section 13 removes "cash" from the list of acceptable deposits for service contract providers
- Section 14 recompiles an existing section of law relating to the Superintendent's rulemaking authority for healthcare provider credentialing from the PRC Act to the IC

**FISCAL IMPLICATIONS**

The penalty of \$25 for dishonored checks will generate a small but unknown amount of revenue

**SIGNIFICANT ISSUES**

The PRC claims this bill is a cleanup bill addressing various non-controversial issues in the IC. They believe removal of ambiguous or unnecessary provisions of the IC will ease administration.

Section 12 will enable improved monitoring of the financial condition of prepaid dental plans

Removal of the requirement for in-state offices for adjusters is consistent with recent changes to

the IC that removed residency requirements for agents and brokers. It recognizes the common practice of adjusting many claims telephonically or otherwise from offices located in other states. It may reduce costs to insurers, which would be reflected in premiums charged to consumers. Local independent adjusters may face more competition from independent adjusters located out-of-state. Note that in-state adjusters are still required for workers compensation claims.

### **ADMINISTRATIVE IMPLICATIONS**

The PRC believes there will be improved efficiency of Department of Insurance operations.

### **TECHNICAL ISSUES**

The PRC has provided the following:

The table on page 3, line 18, through page 5, line 19 is visually challenging to read in legislative format over multiple pages. For example, on page 4, lines 1 through 3, the terms “Basic Capital” and “Additional Surplus” are presented in a manner that is somewhat ambiguous without specific knowledge of the intent. It is hoped and intended that the compiler will format the table as shown on the attached version of Schedule I.

On page 4, lines 6 and 11, the word “Million” appears by itself, although it is the completion of the phrase “\$5 Million” begun on the preceding line.

On page 5, line 1, the line break after “Capital,” should be removed in order to complete the sentence, which is continued on page 5, line 2.

On page 5, the list contained on lines 3 through 6 should be indented to differentiate it as a list.

DW/mt